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Before The
Surface Transportation Board

Ex Parte No. 582
Public Views on Major Rail Consolidations

Statement of
Women Involved In Farm Economics

Women Involved in Farm Economics herewith submits this, its Statement, in the above-described proceeding.

Background:

Women Involved in Farm Economics (WIFE) represents women in agriculture in 23 states. WIFE is a grass-roots organization committed to improving profitability in production agriculture through educational, legislative, communicative and cooperative efforts. WIFE has participated in many proceedings before this Board and before the former Interstate Commerce Commission.

In 1980 Congress, worried about railroad bankruptcies, passed Staggers Rail Act, in essence, deregulating railroads. The theory was simple: The remaining railroads needed to be made stronger financially and the forty+ railroads would compete in lieu of regulation. While we were uneasy in vast parts of the western U.S., we felt a balanced policy to protect rail users where competition didn't exist would be sufficient to survive and hoped that Staggers would achieve that.

Between 1980-1999, and after over 100 rail mergers, the 42 major railroads have become only 4 major east-west carriers, with only 2 railroads in the east and 2 in the west. It now appears certain that we will be moving TO A 2-RAIL SYSTEM IN NORTH AMERICA. This will leave vast areas of the country left without competitive rail. Already whole states don't have competitive rail, and more mergers will just add to our problem. How did this happen? The ICC and now STB turned its attention exclusively to concerns about railroad profitability and ignored the ever-increasing burden being borne by the truly captive rail customers.

As in all things, too much of any one thing is not good. What was needed throughout the 1980's and 1990's was a balance between attention to railroad profitability concerns and to concerns for the plight of the ever-increasing number of captive rail customers.

The farm producer is especially vulnerable to market dominance

Background of How Grain is Marketed:

For the layman, a simplistic explanation of how wheat is marketed will illustrate why farm producers are among the most captive of all captive rail customers. Wheat is sold by growers through local country elevators or grain sub-terminals subsequently to merchandisers and exporters. The wheat is delivered by truck (anywhere from 5-105 miles) at the farmers expense to the nearest grain facility. The producer is paid the commodity exchange price (e.g Portland Grain Exchange price), less rail transportation charges, less deduction for elevation and margin. *Thus, the farm producer bears the transportation costs of moving the wheat to market but does not physically pay the transportation to the carrier.* The merchandiser may elect to ship the grain via rail or truck/barge combination to the market. In Montana, for example, Portland movement is so predominant that all wheat priced in Montana is based upon the above method even if that wheat is not shipped directly to the primary market Portland.

For the farm producer, the cost of transporting grain can represent as much as one half (1/2) the overall price received for the grain. The key to understanding the uniqueness of the farmer producers plight is to understand that unlike virtually every other industry, the farm producers bear the freight charges and cannot pass them on to any other party in the distribution chain, and yet the farm producer does not physically pay the freight charges.

WIFE RECOMMENDATIONS TO THE STB ON FUTURE RAIL MERGER POLICY

Competition is part of the national transportation policy. We need the STB to bring balance to its merger policy before it is too late. The STB needs to encourage competition between the few carrier systems that are left.

We know from experience in Montana and the many WIFE members all over this country, that the farm producers can't survive with a monopoly between themselves and the ultimate consumer.

Thank-you for the opportunity to be heard in this proceeding and my apologies for not being able to testify in person, but as you know it is a long way from Montana to come and spend 5 minutes with you.

S/ Mary W. Nielsen
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